

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2649 – SB 2514

April 2, 2012

SUMMARY OF AMENDMENTS (013095, 013947, 015871): Amends Sections Two, Three, and Five of the original bill. Changes, beginning in the 2015-2016 academic year, the HOPE lottery scholarship requirements for a home school student; a student who graduated from an ineligible Tennessee high school; and for a student who has received a GED. Requires home school students and students who did not graduate from an eligible high school to attain a composite ACT score of 21 on a single ACT test date and a score of at least 21 on two of the four subtests or a combined SAT score of 980 on any single SAT test date and a score of at least 490 on any one of the two subtests. Requires GED recipients to pass the GED test with an average score of at least 525 and attain a composite ACT score of 21 on a single ACT test date and a score of at least 21 on two of the four subtests or a combined SAT score of 980 on any single SAT test date and a score of at least 490 on any one of the two subtests.

Deletes language in Section Three of the original bill that authorizes students, who are eligible for an ASPIRE award and who are receiving a HOPE lottery scholarship equal to the amount given to students attending a two-year public institutions, to receive one-half of the ASPIRE HOPE scholarship until such students are eligible to receive the full HOPE scholarship.

Section Five as amended will authorize HOPE access grant students to receive the same two-year HOPE scholarship as HOPE scholarship students under Tenn. Code Ann. § 49-4-907(a)(3)(A) between the 24 and 48 hour benchmarks. Deletes language authorizing HOPE access grant students, who are eligible for the ASPIRE award, to receive the same scholarship amount as those who originally qualified under Tenn. Code Ann. § 49-4-907(a)(3)(A) or Tenn. Code Ann. § 49-4-908(a)(3)(A) who receive the ASPIRE award and have attempted the same number of hours as the HOPE access grant student receive.

Requires TSAC to include notification to parents and students of all potential changes of Tennessee HOPE scholarship eligibility requirements under this act on TSAC's website and in all brochures produced by TSAC that describe eligibility requirements. Requires TSAC to provide training on potential changes to its outreach staff.

Amends Section 8 of the original bill. Changes the funding mechanism for the recommended \$10,000,000 in additional Tennessee Student Assistance Awards so that the funds come from the lottery reserve rather than from net lottery proceeds.

Deletes Section 10 and the effective date of the original bill and changes previous amendatory language. Directs that if the net lottery proceeds for FY11-12 exceed the amount of net lottery proceeds for FY10-11 by 10 million dollars or more; if net lottery proceeds for FY12-13 exceed the amount of net lottery proceeds for FY11-12; and if net lottery proceeds for FY13-14 exceeds

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the amount of net lottery proceeds for FY11-12, then the act shall be repealed July 1, 2015. States that the term “net lottery proceeds” does not include unclaimed prize money. Requires the State Funding Board, by May 1, 2015, to determine if the act is repealed effective July 1, 2015, and to report its finding to the Secretary of State and the Tennessee Code Commission. The effective date of the bill is June 30, 2015.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Expenditures - Net Impact - \$4,115,500/FY15-16/Lottery for
Education Account
Net Impact- \$9,052,400/FY16-17 and the next
Eight Subsequent Fiscal Years
/Lottery for Education Account

Other Fiscal Impact – In the eleventh fiscal year after implementation (FY25-26), if the General Assembly elects not to appropriate an additional \$10,000,000 to the Tennessee Student Assistance Award program, the decrease in state expenditures from the Lottery for Education Account will be greater since any decrease in the first ten years after implementation will be netted against this appropriation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Other Fiscal Impact – If the conditions set forth in the amendment are met and the State Funding Board makes a determination that they have been met, then the fiscal impact is completely removed and the bill will be repealed on June 30, 2015.

If the conditions set forth by the amendment are not met, then the fiscal impact will be as follows:

**Decrease State Expenditures - Net Impact - \$13,222,000/FY15-16/Lottery for
Education Account
Net Impact- \$18,238,000/FY16-17 and the next
Eight Subsequent Fiscal Years
/Lottery for Education Account**

Other Fiscal Impact - \$10,000,000 will be earmarked for additional awards from the lottery reserves beginning in FY15-16 and the next nine subsequent fiscal years. In the 11th fiscal year after implementation (FY25-26), if the General Assembly elects not to appropriate an additional \$10,000,000 to the Tennessee Student Assistance Awards program, the lottery reserve account will retain an additional \$10,000,000 than in FY24-25.

Assumptions applied to amendments:

- For the purposes of this fiscal memorandum, the assumptions below show what the net fiscal impact will be in FY15-16 and subsequent fiscal years, assuming that the conditions set forth in the amendment are not met.
- Any increase in state expenditures for the State Funding Board to determine if the net lottery proceeds have met the conditions set forth by the amendment will be not significant.
- The state will increase appropriations for the Tennessee Student Assistance Awards by an additional \$10,000,000 beginning in FY15-16 and the next nine subsequent fiscal years from the lottery reserves.
- According to the Tennessee Student Assistance Corporation (TSAC), 6,611 students (including new freshman cohort and home school students) will receive a reduced HOPE or ASPIRE award amount in FY15-16.
- With reduced awards, HOPE recipients will receive \$2,000 and ASPIRE recipients will receive \$3,500.
- According to TSAC, the reduction in state expenditures in FY15-16 from the Lottery for Education Account will be \$13,222,000.
- Based on information provided by TSAC, the number of students who will receive a reduced award in FY16-17 will be 9,119 (including a new incoming freshmen class with home school students and renewals from FY15-16).
- According to TSAC, the decrease in state expenditures in FY16-17 resulting from an increase in HOPE and ASPIRE eligibility requirements will be \$18,238,000.
- In FY25-26 (eleventh fiscal year after implementation), the lottery reserves may retain an additional \$10,000,000 if the General Assembly does not continue the draw down from the account for additional Tennessee Student Assistance Awards.
- Any increase in state expenditures for TSAC to train its outreach staff and change its website and brochures will be not significant. No increase in personnel or a reduction in other budget items.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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